

Message Text

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1738

C O N F I D E N T I A L TEHRAN 5049

C O R R E C T E D C O P Y PARA 3 LINE 5

E.O. 11652: GDS

TAGS: ECON, ELAB, IR

SUBJ: PARTIAL WORKER OWNERSHIP OF IRANIAN INDUSTRIES

REF: A) STATE 123775, B) TEHRAN 4842, C) TEHRAN A-90

1. AS THE EMBASSY HAS PREVIOUSLY REPORTED, THE CABINET-LEVEL COMMITTEE RESPONSIBLE FOR WORKING OUT REGULATIONS FOR IMPLEMENTING THE SHAH'S DECREE ON PARTIAL WORKER OWNERSHIP AND SELLING MORE SHARES OF IRANIAN INDUSTRY TO THE GENERAL PUBLIC STILL IS WRESTLING WITH THE ONEROUS TASK. WE BELIEVE THE COMMITTEE IS WELL AWARE OF THE CONCERNS OF FOREIGN COMPANIES IN IRAN. (REFERENCES B AND C). WHILE THE OUTCOME OF THE COMMITTEE'S DELIVERATIONS PROBABLY WILL NOT BE ENTIRELY TO THE LIKING OF PRESENT AND PROSPECTIVE FOREIGN INVESTORS, IT SEEMS LIKELY THE GOI WILL FORMULATE REGULATIONS WITH WHICH FOREIGN COMPANIES CAN LIVE. IRAN IS HEAVILY DEPENDENT ON FOREIGN TECHNOLOGY FOR ITS MODERNIZATION PROGRAM. WHILE THE COUNTRY CAN DO WITHOUT LARGE CAPITAL INFLOWS FOR THE TIME BEING, IN THE NOT TOO DISTANT FUTURE IRAN MAY BE SPENDING ALL OF ITS FOREIGN EXCHANGE EARNINGS AND AGAIN BE BORROWING ABROAD. THIS IS NOT THE TIME TO FRIGHTEN AWAY FOREIGN CAPITAL.

2. ALMOST EVERYONE WITH WHOM THE EMBASSY HAS DISCUSSED THE SUBJECT HAS INDICATED THEY EXPECT THE IMPLEMENTATION REGULATIONS

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TO CALL FOR NEW SHARES BEING OFFERED TO THE WORKERS AND PUBLIC

AND THA FOREIGN COMPANIES WILL NOT BE FORCED TO SELL THEIR EQUITY HOLDINGS. NEVERTHELESS, THESHARE OF FOREIGN PARTICIPATION IN A JOINT VENTURE WOULD BE DILUTED. THE SURRENDER OF A COM-ENSURATE SHARE OF CONTROL OVER THE COMPANY DOES NOT NECESSARILY FOLLOW A DILUTION OF OWNERSHIP. IN IRAN THE U.S.-STYLE STOCK-HOLDERS' MEETING IS UNKNOWN. ACCUSTOMED TO CONTROL FROM THE TOP, THE IRANIAN SHAREHOLDER WILL BE MORE INTERESTED IN EARNING DIVIDENDS THAN HAVING A SAY IN COMPANY POLICY.

3. BOTH SECRETARY OF COMMERCE TABOR AND DEPUTY UNDER SECRETARY HOSTLER WERE PRESENT AT THE FIRST MEETING OF THE IRAN-AMERICAN BUSINESS COUNCIL ON MAY 17 WHICH WAS INAUGURATED BY THE SHAH. WE DO NOT KNOW WHETHER THEY TOOK ADVANTAGE OF THIS OPPORTUNITY TO RAISE WITH HIM THE QUESTION OF THE CONCERN AMERICAN COMPANIES OPERATING IN IRAN HAVE EXPRESSED OVER THE PARTIAL WORKER OWNERSHIP SCHEME. WHEN HE REJOINED THE GROUP AFTER THE SHAH ALREADY HAD DEPARTED, AMBASSADOR HELMS WAS ASKED FOR HIS VIEWS ON THE SUBJECT AND CAUTIONED AGAINST U.S. FIRMS BEING OVERLY CONCERNED.

HELMS

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